

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

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IN THE MATTER OF: BRIAN KNIGHT )  
KNIGHT ASSET MANAGEMENT LLC )  
THEIR OFFICERS, DIRECTORS, ) File No. 0900325  
EMPLOYEES, AFFILIATES, SUCCESSORS, )  
AGENTS AND ASSIGNS )

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NOTICE OF HEARING

TO THE RESPONDENTS: Brian Knight.  
Knight Asset Management LLC  
9 Crystal Lake Road, Suite 250  
Lake in the Hills, IL 60156

c/o Michael Loprieno  
319 Dee, Suite C  
Bloomington, IL 60108

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953, [815 ILCS 5/1 et seq.] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 300 W. Jefferson St., Suite 300A, Springfield, Illinois 62702, on the 15<sup>th</sup> day of January, 2014 at the hour of 10:00 a.m., or as soon thereafter as counsel may be heard, before Jon K. Ellis, or such other duly designated Hearing Officer of the Secretary of State. A copy of the Rules under the Act pertaining to contested cases is attached to this Notice.

Said hearing will be held to determine whether an Order of Prohibition should be entered against (the "Respondents") in the State of Illinois and granting such other relief as may be authorized under the Act including but not limited to imposition of a monetary fine in the maximum amount pursuant to Section 11 of the Act, payable within ten (10) days of the entry of the Order.

Notice of Hearing

-2-

The grounds for such proposed action are as follows:

1. Respondent Brian Knight ("Knight") is an Illinois resident and Chief Executive Officer and Member of Knight Asset Management, LLC.
2. Knight is also the sole and managing Member of Strategic Lending Solutions, LLC and the President of K&M Oil Company, Inc.
3. Knight Asset Management, LLC is an Illinois registered Limited Liability Company. Knight is its sole Member.
4. Strategic Lending Solutions, LLC is an Illinois registered Limited Liability Company.
5. K&M Oil Company, Inc. is an Illinois registered Corporation.
6. Knight is the majority owner of K&M Oil Company, Inc.
7. SLS Fund, LLC is an Illinois registered Limited Liability Company currently not in good standing. Knight is one of two members of the SLS Fund, LLC.
8. All of the above business entities are operated from and have the same business address: 9 Crystal Lake Rd, Suite 250 Lake in the Hills, Illinois 60156.
9. On or about January 14, 2011, Knight Asset Management, LLC submitted a filing for an application to register securities as a Small Corporate Offering pursuant to Section 5.B(7) of the Act with the Department.
10. The above application was signed and submitted by Knight.
11. Pursuant to Section 5.B(7) and Rule 525 of the Rules and Regulations of the Illinois Securities Department, 14 Admin Code 130.100 et seq., Knight Asset Management, LLC submitted as part of its application, a proposed Offering Circular (Prospectus) to be provided to prospective investors ("the Offering Circular").
12. This offering circular provided and disclosed (among other matters) material information regarding the

Notice of Hearing

-3-

investment, risk factors and initial assets of the investment.

13. On June 2, 2011, after making certain corrections, additions and changes to the Offering Circular and other application documents, the application, including the Offering Circular were accepted and registered by the Department.
14. Upon registration, Knight and Knight Asset Management, LLC offered for sale Preferred Membership Units of Knight Asset Management, LLC to investors.
15. On Page 8 of the Offering Circular for Knight Asset Management, LLC, Knight and Knight Asset Management, LLC state that Knight Asset Management LLC will be the manager of the SLS Fund, LLC.
16. The Offering Circular further states that the SLS Fund, LLC to be managed by Knight Asset Management, LLC acquired certain assets from Knight Asset Management, LLC valued at \$1,774,000. Knight Asset Management, LLC transferred these assets in return for 1,774 shares of the SLS Fund, LLC valuing the shares of the SLS Fund, LLC at \$2.49 per share.
17. The transferred assets are itemized on Page 13 of the Offering Circular. One of the Assets acquired by the SLS Fund, LLC from Knight Asset Management, LLC is described as Oil Note 1 and the following additional information is provided for Oil Note 1: Purchase Price \$86,000, Cost Basis \$86,000, Appreciation \$449,000, Net Equity \$535,000 and Total Value \$535,000. No other information is provided in the Offering Circular regarding Oil Note 1.
18. Based upon information provided to the Department by Knight Asset Management, LLC, Oil Note 1 is a promissory note issue by K & M Oil, Inc. to Strategic Lending Solutions, LLC on December 1, 2010 in the amount of \$86,000 (See attachment A).
19. K & M Oil, Inc. is also known as K & M Oil Company, Inc.
20. The K & M Oil, Inc. promissory note matures on December 15, 2015 with an interest rate of 7% per annum. It is unsecured by any collateral. However, it has the personal guarantees of Brian Knight and Jeffrey Meyer.

Notice of Hearing

-4-

21. Nine days after the execution of the K & M Oil, Inc. promissory note, on December 10, 2010, Knight as the sole managing member of Strategic Lending Solutions, LLC, assigned the K & M Oil, Inc. promissory note to Knight Asset Management, LLC (See attachment B).
22. From December 1, 2010, the date of the K & M Oil, Inc. promissory note to the date of the registration and offer to sell of the Preferred Membership Units by Knight Asset Management, LLC, no interest payments were made by K & M Oil, Inc. as required under its promissory note to Strategic Lending Solutions, LLC.
23. In fact, Strategic Lending Solutions, LLC had agreed to defer payments of interest by K & M Oil, Inc.
24. In an affidavit filed with the Department by Knight regarding the K & M Oil, Inc. promissory note, Knight states under oath that the promissory note is valued at \$535,000 due to the value of the underlying collateral securing the promissory note. However, the promissory note is not secured by the collateral of any asset
25. Knight and Knight Asset Management, LLC, made the following omissions and/or misrepresentations:
  - a. Failing to disclose to investors that no interest payments were being made by K & M Oil, Inc. under its promissory note.
  - b. Misrepresenting the value of the K & M Oil, Inc. promissory note.
  - c. Failing to disclose that the K & M Oil, Inc. promissory note was unsecured and not backed by any collateral.
26. The above-referenced Preferred Membership Units are securities as that term is defined pursuant to Section 2.1. of the Illinois Securities Law of 1953 [815 ILCS 5/1 et seq.] (the "Act").
27. Section 12.E of the Act provides, inter alia that it shall be a violation of the Act for any person to make, or cause to be made in any application, report or document filed under the Act or any rule or regulation made by the Secretary of State pursuant to the Act, any

Notice of Hearing

-5-

statement which was false or misleading with respect to any material fact.

28. Section 12.F of the Act provide, inter alia, that it shall be a violation of the Act for any person to engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
29. Section 12 G of the Act provides, inter alia, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.
30. Section 12.H of the Act provides, inter alia, that it shall be a violation of the Act for any person to sign or circulate any statement, prospectus or other paper or document required by any provision of the Act or pertaining to any security knowing or having reasonable grounds to know any material representation therein contained to be false or untrue.
31. Section 12.I of the Act provide, inter alia that it shall be a violation of the Act for any person to employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly.
32. That by virtue of the foregoing, Brian Knight, Knight Asset Management, LLC their Officers, Directors, Employees, Affiliates, Successors, Agents and Assigns have violated Sections 12.E 12.F, 12.G, 12.H and 12.I of the Act.
33. That Section 11.E(2) of the Act provides, inter alia, that if the Secretary of State shall find that any person has violated any subsection of subsections B-K of Section 12 of the Act, the Secretary of State may by written order prohibit the person from offering or selling any securities in this State.
34. That Section 11.E(4) of the Act provides, inter alia, that if the Secretary of State, after finding that any

Notice of Hearing

-6-

provision of the Act has been violated, may impose an order of censure and/or a fine as provided by rule, regulation or order not to exceed \$10,000.00 for each violation of the Act.


35. That by virtue of the foregoing, the Respondents, Brian Knight, Knight Asset Management, LLC and their Officers, Directors, Employees, Affiliates, Successors, Agents and Assigns are subject to a fine of up to \$10,000.00 per violation, an order of censure and an order which permanently prohibits the Respondents from offering or selling securities in the State of Illinois.

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above or a Special Appearance pursuant to Section 130.1107 of the Rules, or other responsive pleading within thirty days of the receipt of this notice. Your failure to do so within the prescribed time shall be deemed an admission of the allegations contained in the Notice of Hearing and waives your right to a hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default.

Delivery of notice to the designated representative of any Respondent constitutes service upon such Respondents.

Dated this 5<sup>th</sup> day of November 2013.

  
Jesse White  
Secretary of State  
State of Illinois

Attorney for the Secretary of State:  
David Finnigan  
Illinois Securities Department  
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Notice of Hearing

-7-

Hearing Officer:

Jon K. Ellis

1035 S. 2<sup>nd</sup> St.

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